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CHINA:**Problems With Agricultural Reforms**

Beijing's determination to continue its new agricultural policies despite the problems being encountered illustrates the risks it is willing to take to push economic reform. []

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Provincial press reports indicate that new agricultural price and procurement policies—which are intended to reduce state subsidies and promote rural free market activity—are disrupting production in some areas. Provinces with good early harvests have reported that peasants are having difficulty transporting and selling all of their produce and have drastically reduced investment in agriculture as they wait to see how the new policies affect their profits. These problems have been aggravated by a shortage of capital in rural areas, both for loans to peasants to improve production and for state purchases of agricultural goods []

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China has expressed growing concern about the possible effects of policy adjustments and adverse weather in some major agricultural areas on grain production this year, but it is still intent on furthering agricultural reform. []

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Comment: Beijing presumably expects some problems while inexperienced local officials try to blend state quotas with market incentives and entice some peasants out of agriculture but keep grain production at or near current levels. In many areas, however, the new procurement system is not working, and it appears that local authorities are modifying the policies or reverting to the old system in order to maintain production. []

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The early harvest this year is likely to be about equal to the record one of last year. It usually makes up a third of annual grain production. Most of these crops were planted before the new policies were announced, however, and the results of the fall harvest will reflect the effects of the reforms far more. A moderate drop in grain production probably would be as damaging politically as economically to the leadership, because agriculture has been the showcase of the new reform policies so far. [] -CIA, DIA, INR, NSA-

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